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TO RUEHC/SECSTATE WASHDC IMMEDIATE 2856
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RUEHZK/ECOWAS COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 02 ABUJA 000893

SENSITIVE
SIPDIS

USDA/FAS/OTP CHRISTIAN FOSTER
USDA/FAS/OCRA CHARLES ALEXANDER
USDA/FAS FOR ASIF PATRICIA SHEIKH
USDA/FAS/OFSO RON VERDONK
DEPARTMENT FOR EE/TPP/ABT/ATP SPECK
DEPARTMENT PASS TO USTR AGAMA
TREASURY FOR PETERS AND HALL
DOC FOR 3317/ITA/OA/KBURRESS, 3130/USFC/OIO/ANESA/DHARRIS

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [EAGR](#) [EAID](#) [PREL](#) [NI](#)

SUBJECT: U.S. RICE EXPORTERS FAIL TO RESPOND TO GON LIFTING RICE
DUTY AND INTEREST IN U.S. RICE

REF: A. ABUJA 817

[1](#)B. ABUJA 760

[1](#)1. (U) This is an Action Request for USDA/FAS/OTP Deputy
Administrator Christian Foster and USDA/FAS/OCRA Charles Alexander.
Please see paragraph 9.

[1](#)2. (SBU) Summary: Nigeria's Federal Executive Council (FEC) on May
7 approved the suspension of customs tariffs for six months to allow
for the duty-free import of rice. The Nigerian Government (GON)
expects this will lead to a fall in the price of imported rice,
which has been steadily rising. The decision triggered panic
selling of parboiled rice in Benin Republic which is a major
gate-way for re-exports to Nigeria. The USG has been pressing the
GON to remove bans and lower tariffs on agricultural products and
this first step may signal more positive changes in the near future.

Furthermore, in a May 5 meeting between the Ambassador and the
Minister of Agriculture, the Minister expressed interest in
purchasing rice from the U.S. However, a USA Rice Federation
representative told the U.S. Trade Representative's office that U.S.
firms most likely would not be interested in supplying rice as
Nigeria is unlikely to be a long-term market. We recommend that
U.S. rice exporters seize the fruitful opportunity to enter the
Nigerian market now without tariffs, while we work with the GON to
make lifting of the tariffs permanent as part of our efforts on the
Trade Investment Framework Agreement (TIFA) and the bilateral
investment treaty (BIT) negotiations. We have an opening to make
progress on our trade agenda and should take full advantage of this.
End Summary.

[1](#)3. (SBU) After a Federal Executive Council (FEC) meeting on May 7,
Sayyadi Ruma, Minister of Agriculture and Water Resources announced
a decision to suspend the 109 percent import duty on rice. The
suspension is for the next 6 months ending October 31, 2008 and
possibly could be extended much longer. He said the decision to
adopt the measure followed the recent meeting between President
Yar'Adua and the 36 state governors.

[1](#)4. (SBU) In a May 5 meeting between the Ambassador and Minister
Ruma, the Ambassador underscored USG interest to work with Nigeria
on its rice initiative by encouraging U.S. industries to
participate. Minister Ruma contended that the government is hard
pressed to improve market supply and deal with the continuing price
increases. The Minister expressed interest in purchasing rice from
the U.S, but noted action must be taken quickly. Minister Ruma

added that he would be willing to visit the U.S. if he can secure at least 250,000 mt of rice with delivery before August 1 (start of local harvest). He is also planning to visit traditional suppliers (Thailand and India). Ruma indicated his interest in purchasing industrial equipment for agriculture from U.S. suppliers. He then requested the following information on U.S. rice as soon as possible:

- Price indication (C&F Lagos) for white, brown, parboiled rice.
- Quantity that can be supplied by the U.S. (NOTE: The U.S. Foreign Agricultural Service is gathering this information. END NOTE).

15. (SBU) M. O. Olowu, Director Fiscal Policy of the Budget Office of the GON, on May 8 informed EconOff that the rice import duty suspension will be implemented. Olowu said that in December 2007 the FEC instructed the Ministers of Commerce and Finance to harmonize their views regarding the pending fiscal policies and submit a proposal to the FEC, which included suspending the rice import duty. Olowu noted that the May 7 decision by the FEC would accelerate ongoing work on the 2008 fiscal policy and would result in an earlier release of the fiscal policy program. (Note: Revenue from duties and tariffs represent the second largest source of GON income after oil production. The Ministry of Finance has oversight of both customs collection and budget preparation, which results in trade policy playing a major role in setting fiscal policy - and vice versa. End Note).

16. (SBU) A U.S. Trade Representatives Office's (USTR) contact in the USA Rice Federation commented on May 8 that U.S. firms would not/not be interested in this 500,000 mt tender because Nigeria would not be a long term market for them, according to an email received by post from USTR. The USA Rice Federation rep reported that the order of priority is taking care of their best customers first, working with potential repeat customers second, and lastly supplying one-time

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customers.

17. (SBU) Despite the 109% rice duty, large scale imports continue, with the majority smuggled from neighboring countries such as Benin. Export figures from the U.S. Foreign Agriculture Service for 2007 show that Thailand shipped three times as much rice to Benin (population 8 million) as to Nigeria (population 145 million). Regarding the market effect of the GON lowering rice tariffs, traders are reporting panic selling of parboiled rice in Benin, a major gate-way for re-exports to Nigeria. According to importers, the price of parboiled rice decreased 15 to 20 percent in Benin within the last few days. This is expected to dampen prices in Nigeria at least in the short run. There are already indications of this.

18. (SBU) Comment: The removal of the rice duty is a positive step. The USG has been pressing the GON to remove bans, and lower tariffs and this first step may signal positive changes in the near future. We have been told by GON trade officials that new trade policies could be implemented as part of the TIFA action plan, which shows positive signs of moving forward since our last TIFA discussions on April 10, 2008. Nigeria will continue to be a major rice importer for sometime. We recommend that U.S. exporters take advantage of this opportunity as we work with the GON to make the lifting of the tariff permanent. Doing so could ease prices and dampen inflationary pressures. We have an opening to make progress on our trade agenda and should take full advantage of it. Rice and other grain prices are already high enough to provide production incentives to Nigerian farmers. End Comment.

19. (SBU) Action for USDA/FAS/OTP Deputy Administrator Christian Foster and USDA/FAS/OCRA Charles Alexander: USDA should solicit U.S. rice exporters and urge them to take advantage of this important opportunity to meet Nigeria's request for 250,000 mt of rice. If Washington colleagues can persuade U.S. exporters to take advantage of this immediate opportunity, that would give us credibility towards getting the GON to reform its onerous bans and high tariffs on food commodities.

SANDERS